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13 MAR 1984

MEMORANDUM FOR: Director of Personnel

FROM:

Liaison Division
Office of Legislative Liaison

SUBJECT: Fourth House Committee on Post Office and
Civil Service Hearing on Supplemental
Retirement; 13 March 1984

SUMMARY: The fourth of five scheduled House Committee on Post Office and Civil Service hearings on supplemental retirement was held today. Five additional federal employee unions and one employee benefits consultant testified. The most noteworthy event was the Chairman taking the unions to task for being too passive and submissive on the entire supplemental retirement issue. He implored them to be creative and imaginative and forceful in leading their federal employees on this issue, rather than just rolling under the Administration and its protestations about the need to cut the deficit, at whatever cost to federal employees.

1. Attached for your information and use is a complete set of documentation resulting from the subject hearing today. The attachments include the witness list and the prepared statements of all participants. Also included is a summary attempt at recreating the questions and answers that were posed and offered at varying times during the hearing.

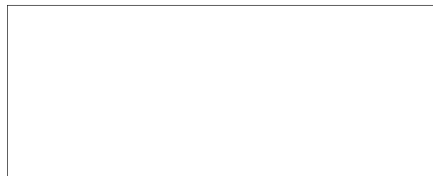
2. The fourth of five scheduled House Committee on Post Office and Civil Service hearings on supplemental retirement was held today. With Mr. Ford (D,MI) in the chair and Ms. Oakar (D,OH) and Mr. Wolf (R,VA) in attendance, the following union viewpoints were recorded:

National Association of Retired Federal Employees;
Federal Managers' Association;
Senior Executives Association;
Professional Managers Association; and
Federally Employed Women.

In addition, the President, Employee Benefit Research Institute (EBRI), testified. EBRI describes itself as a Washington, D.C.-based, nonprofit, nonpartisan public policy research organization dedicated to increasing knowledge of employee benefits through research and education. As an aside, it presented an equally professional, but more detailed paper during the second Senate Governmental Affairs Committee retirement forum, held on 16 February 1984 and reported to you on 22 February 1984.

3. The most noteworthy event of the day was the Chairman taking the presidents of the Professional Managers Association and Federally Employed Women unions to task for being too passive in their testimony and in their philosophical approaches to supplemental retirement legislation. He made the point, quite strongly, that the Congress, and therefore all interested parties, had a unique opportunity to recreate federal retirement system law, at least prospectively, and that all involved should look at this as a positive opportunity to start all over and to be as creative as their imaginations would allow them to be. He opined that the only time the Congress ever did anything with federal employee retirement laws was when they were under attack. He further opined that such was not the case now, that everyone now had the opportunity to craft the best federal retirement system imaginable, and that not to do so would be tragic. He stated his view that the current federal retirement systems are not the overly generous creatures that they are made out by the Administration to be, but rather are really rather pedestrian when compared to the systems available in the private sector. He chastised all federal employee unions for being too passive and submissive on this issue and implored them to rise to the opportunity to do something positive rather than just roll over and accept the Administration's rhetoric as truisms. He completed this lengthy statement by describing the process the House Committee on Education and Labor (of which he is an active member) went through in developing and ultimately enacting the ERISA statute in 1974. He likened that effort, which took years and millions of dollars in consultant support to research, debate, craft, and pass, to this supplemental retirement situation. Coupled with his second reference to the fact that the interim Stevens bill, that expires 31 December 1984, may well have to be extended, Mr. Ford is perhaps suggesting that the Congress should take as much time as necessary to enact the proper supplemental retirement bill and not worry about how long it takes it to do so. I will follow up on this next week with appropriate Committee staff personnel.

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Attachments
As stated



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The following summarizes the questions asked and answers provided during the course of the House committee on Post Office and Civil Service hearing on supplemental retirement on 13 March 1984. It is not a complete summary, but rather is intended only to provide a floavor of the exchanges that took place.

Ms. Oakar (D,OH): With respect to the public sector/private sector pay and benefits comparability issue, if the comparability analysis was done between the federal government and a comparably-sized private sector firm, would the issue go away to everyone's satisfaction?

National Association of Retired Federal Employees (NARFE): There is no comparably sized private sector firm with which to compare pay and benefits of the federal government. It seems to me that so long as you do the comparison of the federal government with an aggregate of very large private sector firms, that the results will be the best possible.

Mr. Ford (D,MI: Chairman) We need to remenber that large employers have retirement needs for their work forces that are very different from small employers. One of the results of these differences is that the benefit and pay levels are correspondingly different. Just as you cannot equitably compare the benefit levels of large and small firms and expect to get a meaningful result, neither can you compare the federal government retirement needs with small private sector firms and expect to get a meaningful result, because they are just too different.

Mr. Wolf (R,VA): Would you comment further on the need to retain the CSRS Trust Fund for use with both the current CSRS and whatever new supplemental retirement system we enact?

NARFE: It is very important, principally because it ensures a steady inflow of funds, and thus ensures the financial integrity of the existing fund.

Mr. Wolf: Should new federal employees who come back to the government with some prior federal service be allowed to join either the old (CSRS) or the new retirement systems?

NARFE: We have a thorough study underway on that very issue, but the study is not yet complete and so I am not able to answer you now. We will provide the results of our study when it is completed if you want. (Yes).

Mr. Albosta (D,MI) comment: If the new retirement system is not combined with the old one (CSRS), then there will be two trust fund administrators and invariably a competition will develop between the two, probably to the detriment of both systems. I suspect that the benefits of the CSRS participants may well be jeprodized.

Mr. Ford: The Office of Personnel Management, in a written publication, says that the CSRS Trust Fund in the year 2000 will have an asset balance of some \$350 billion. Mr. Devine, on the other hand, goes around saying that the CSRS has an unfunded liability of some \$515 billion. This latter statement is, of course, ludicrous. Is your membership concerned by these statements of Mr. Devine's?

NARFE: Mr. Devine has succeeded in convincing a majority of NARFE members that at least some of their retirement benefits are at risk because of this problem.

Mr. Ford comment: The Grace Commission and Mr. Grace are still, at every occassion, saying that federal employees retire at age 55, whereas employees in the private sector don't retire until age 65, and thus if federal employees were forced to work until they were 65, such tremendous savings would be realized and the federal workers wouldn't be the privledged class that they are now. In fact, as I stated during our last hearing, the actual retirement ages for the private and public sectors are nearly identical:

private sector	- 61.8 years of age
public sector	- 61.3 years of age

As a matter of interest, what is the average age of the NARFE membership?

NARFE: The average age of our membership is somewhere around age 71.

Mr. Ford comment, upon completion of the Professional Managers and Federally Employed Women testimony:

I'm having trouble understanding your two sets of testimony, because if I am hearing you right, you are telling this Committee that you are willing to accept a new retirement system that is less advantageous to your members than the current federal retirement systems. If this is the case, your shortsightedness is tragic. Neither you nor most of the rest of the union representatives that this Committee has heard from so far seem to realize that the Social Security Act amendments made by the Congress last year presented us with the first real opportunity to recast federal retirement law in scores of years. Usually when we are tinkering with the federal retirement laws we are reacting to some allegation and are forced to limit our focus to the specific issues involved.

Here, though, we are presented with the opportunity to reshape, in very large measure, the entirety of federal retirement law. You know, there is not just one federal retirement law and system, there are something on the order of 38 or more, even though we usually talk about the Civil Service Retirement System (CSRS) as though it is the only federal system. And all I hear you people talking about is ducking, keeping your heads down, trying to ensure that, in a supplemental retirement environment, that your members don't get too much less than they are now getting in the current system. I deplore such representation on your parts. You are doing your members a severe disservice.

I sit on the Committee on Education and Labor, and was totally involved in that committee's creation and passage of the ERISA statute. It took us years of exhausting and deliberate work, all very detailed and time consuming. In the process, we spent well over a million dollars just in consulting fees, all to ensure that the law we ended up with was the right one. I think that experiences since it was enacted suggest that the law was a necessary one, a good one, and very beneficial to private sector employees whose pension rights before ERISA were ever at risk. Such is absolutely not the case now. I draw a parallel between the ERISA efforts and the current supplemental retirement issues. We cannot

rush into some half-baked bill just to meet some arbitrarily-imposed completion date (31 December 1985). I would much sooner extend that date for a year or more than try to rush this issue. It is nearly as complex and perhaps more contentious. My point is that we can't rush this subject. We have got to do it in a detailed and orderly fashion.

For all of the above reasons, don't you rush your consideration of this issue. Don't agree or let your membership agree so early in the process that you can't get as much out of the Congress as you and they might want. Don't assume that the very best that you can do is to obtain parity with the current system (CSRS). None of us knows that yet. I start this endeavor on the assumption that the current system isn't nearly as good or as generous as the Administration would have us and you believe. It may have been so 15 years ago, but it has been picked away at too much in the intervening years, and the private sector has been very creative and imaginative during this same time. The result is that the current federal retirement laws aren't nearly as good as everyone thinks they are. Therefore, my goal is to obtain for federal employees the very best retirement system that I can, because it would be money very well spent. There are many of us here in the Congress, my good friend in the Senate Mr. Ted Stevens included, who think that the quality of the federal workforce is every bit as important to this country's national security as rebuilding the DOD's infrastructure. Since a competitive retirement system is an attractive magnet to quality employees, what better way to protect our national security.

Get some fire in your proposals. We in the Congress can't do our jobs here if you all are asking for less than we are inclined to try to get for you.